



David B. Wescoe
Administrator/CEO

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COUNCILMEMBER
DONNA FRYE

November 17, 2009

Councilmember Donna Frye
City of San Diego
202 C Street, 10th Floor
San Diego, CA 92101

Re: Your November 2, 2009 Memorandum to me concerning Municipal Code Changes
(Sections 24.1102 and 24.1120)

Dear Councilmember Frye:

Your November 2, 2009 Memorandum asked questions about SDCERS' request that the Council adopt an ordinance to correct a drafting oversight that occurred in 1992. Your questions are set out below in bold and are followed by our response.

- 1. How was this operational failure discovered, when, and by whom? For example, was it by an outside party?**

SDCERS staff first identified this issue in August 2008. After additional research, a SDCERS Staff report was provided to the Board of Administration's Business and Governance Committee in January 2009.

- 2. Did the City approve the conversion in funding methodology from EAN to PUC, effective July 1, 1991? If so, how was this done, as it is my understanding that this type of action is a responsibility of the SDCERS Board?**

As you correctly note, the establishment of SDCERS' funding methodology is within the sole and exclusive authority of the SDCERS Board. Pursuant to that authority, the Board approved the change in funding method from EAN to PUC in May 1991.

3. *How many Members, who are now retired, were allowed to enter into these prohibited purchases? What is the aggregate amount of all those purchase in dollars? How many Members, who have not retired, will be allowed to enter into these purchases if the SDMC is amended? What is the aggregate amount of all those purchases in dollars? Please explain the discrepancy in these numbers (131 Members vs. 300+ Members) and whether anyone knows with certainty how many Members entered into a prohibited purchase.*

When the 1981 Plan closed, 131 General Members repurchased their pre-1981 time, 110 of whom are now retired. The 131 Members paid approximately \$1.9 million for their repurchased time. There are 12 Members who are still active City employees who would be eligible to purchase pre-1981 Plan time if the SDMC was amended, for a total amount of approximately \$157,000.

There is no “discrepancy” between the 131 and 300+ Members: the former is simply the number of eligible Members who did, in fact, repurchase their pre-1981 time.

4. *[SDCERS'] January 13, 2009, Staff Report states that, “Benefits Administration would need to manually review all Members who were employed during the applicable time period for (sic) prepare as accurate list and estimates this would take approximately six months to complete.” Has this review been completed? If so, please provide me with a copy.*

SDCERS’s identified 131 Members who repurchased their previously refunded 1981 Plan time. No manual review was undertaken prior to the October 20, 2009 Council meeting, but a copy of Cheiron’s report will be forwarded to the City when it is completed (see answer to question 5 below).

5. *Please provide the total value of benefits associated with amending the SDMC and the total cost if the SDMC is not amended as requested by SDCERS.*

As the City Council has requested, Cheiron is currently calculating the impact to the UAL and ARC if these purchases were undone, and expects to have this analysis completed in December. This analysis will address the cost of either amending or not amending the Municipal Code.


6. *Does this proposed change in ordinance grant any type of benefit?*

No. The proposed change simply corrects an error made when the ordinance was drafted.

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If you have any other questions, please direct them to SDCERS' CFO, Mark Hovey.

Sincerely,



David B. Wescoe

cc: Board of Administration
Honorable Mayor Jerry Sanders
City Councilmembers
Andrea Tevlin, Independent Budget Analyst